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TAGS: ETRD ECON EFIN AS CH TC FTA
SUBJECT: UAE PROGRESS ON FTA ISSUES -- SLOW BUT STEADY

Classified By: Ambassador Michele J. sison for reasons 1.4 (b & d)

11. (C) Summary: The UAE continues to make slow, but steady progress on outstanding Free Trade Agreement issues in advance of the proposed June 27 or 28 DVC between the lead negotiators. We have noticed an up tick in UAE preparations as the date of the DVC draws near. For that reason, Embassy suggests that USTR propose another DVC for early September to re-energize movement after the summer, but before the September round. The UAEG continues its efforts to promote the FTA to Emirati stakeholders. The telecoms negotiating group held the first DVC on June 14 and made some progress. The UAE hopes to make its market access offer in a week and its services non-conforming measures submission by June 18. The UAE is looking for an early July DVC to discuss IPR. Our interlocutors also said that they hoped the GCC-EU FTA negotiations would be concluded by the end of 2005, and that the GCC was interested in gaining access to China's petrochemicals market through the GCC-China FTA negotiations.
End Summary.

12. (C) Econchief and econoff held a series of meetings this week with various UAE Free Trade Agreement (FTA) negotiating team leaders to assess the progress in advance of the proposed June 27 or 28 digital video conferences between the lead negotiators. (Note: Post prefers the June 28 DVC date in view of our senior visitor schedule.)

UAE Continuing Outreach

13. (U) On June 15, MinState Finance Dr. Mohammed Khalfan bin Khirbush gave an interview promoting an FTA with the U.S. that was carried in several of the UAE's Arabic papers. He asserted that an FTA with the U.S. would provide real opportunities to the UAE industrial sector, explaining that it would give the UAE better access to U.S. markets. It would also encourage joint ventures between U.S. and Emirati businesses, which would improve UAE access to U.S. technology and expertise, he emphasized.

Telecoms wins DVC race - June 14

14. (U) UAE and U.S. negotiators held a productive telecoms DVC on June 15, and scheduled an E-Commerce DVC on June 21. According to Telecommunications Regulatory Authority Director General Mohamed Al-Ghanim, both sides made some progress. He added that he thought it would be easier to make progress on the E-Commerce chapter. He was coordinating with the other negotiating groups -- since e-commerce is tied to other chapters -- but was optimistic about progress.

Market Access - UAE Hopes to Make Offer in a Week

15. (C) On June 14, Econchief met with Director General of the UAE Federal Customs Authority Mohamed Al-Mehairi to discuss the UAE's goods offer. Al-Mehairi explained that he had contacted his U.S. counterpart to say that he still needed a week to finish the offer. He had prepared a draft offer, but had not gotten clearances from two stakeholder agencies (MinFin and the UAE Federation of Chambers of Commerce). He was working with them and was hopeful that he would get clearances shortly. He planned to present the offer (in general terms) to the cabinet for approval at its June 19 meeting and then would send it to the U.S.

Services Non-Conforming Measures - Hopefully by June 18

16. (SBU) Econchief and Econoff met with MinEcon A/US for international Cooperation Abdulla Al-Saleh on June 13 to discuss progress with the services chapter. Al-Saleh had just finished the second round of FTA negotiations with the Australians and was preparing to go to the G-77 meeting in Qatar. He said that his team was working hard to revise the UAEG's Non-Conforming Measures (NCM) submission, and he hoped to have it ready before he left for the GCC-China FTA talks on June 18.

7 (C) According to Al-Saleh, the UAEG had brought a draft NCM

submission to the second round of negotiations in Washington in May. The negotiators did not hand it over at that time, however, because they were looking for changes to the U.S. draft text. (Note: it appears that some of the changes were in chapters other than the services chapter.) Al-Saleh said that he "couldn't give anything away" in services without being sure that the other groups were getting what they needed. When the UAE negotiators realized that the U.S. lacked flexibility in the text, they knew that they needed to revise their list of non-conforming measures. (Note: Al-Saleh also said that the UAE would be preparing a side letter on the issue of temporary entry (i.e., visas), since this was still a concern.)

IPR Some Progress

18. (SBU) On June 11, econchief and econoff met with Ali Al-Baloushi, Director of the Copyright Department of the Ministry of Information to discuss progress on IPR discussions and to try and schedule a videoconference with U.S. negotiators. Al-Baloushi said that he was still waiting for other agencies to provide comments on pending issues in the IPR text. He said he would be working with MinState Finance Dr. Khirbash to expedite movement from other agencies. On June 15, Al-Baloushi told econchief that he was still working with other agencies, but promised to provide USTR with some UAEG comments, which he subsequently did. Al-Baloushi also suggested that the UAE would be ready for a videoconference the first week in July with the IPR teams.

Investment/Financial Services

19. (C) Econchief talked to Abu Dhabi Investment Authority Tax Advisor Dr. Robert Peake (strictly protect) on June 15. Peake said that ADIA was close to finalizing its proposal/explanation on Federal-Emirate jurisdiction that it planned to use with both the Australians and the USG. He commented that it was a complicated issue and he would prefer to discuss it in person rather than over a videoconference. Unfortunately, he added, the Ministry of Finance had expressed its strong preference that the ADIA representatives not travel to the U.S. without the rest of the negotiating team. When Econchief raised this issue with MinFin A/US for Revenue and Budget Khalid Al-Bustani, he explained that the UAEG preferred not to have negotiations where only some members of the UAE team were present to reduce the possibility of confusion.

Rules of Origin

10. (U) At the request of the U.S. negotiator on the rules of origin chapter, econoff arranged for in-person meetings with Ali Fayel Mubarak, head of the Certificate of Origin section at MinEcon. Two U.S. negotiators will meet with their Emirati counterparts in Dubai on June 28 and 29.

FTA a Learning Process

11. (SBU) All of our interlocutors stressed that the U.S. FTA was a more complicated undertaking than they had originally realized, and that the USG had had less flexibility than they had originally hoped. They note that the UAEG negotiators are using the lessons learned from the U.S. experience in their FTA negotiations with other countries. Al-Saleh suggested that the preferred USTR format of multiple, simultaneous negotiating groups overstretched UAEG resources. He compared it to the negotiations with Australia, which were divided into three groups (goods, services, IPR). This allowed the UAEG to bring in a core team of negotiators, supplemented when necessary by technical experts. In the negotiations with the U.S., many of the lead negotiators were concerned that they were not seeing the whole picture and needed to undertake extra consultations before being comfortable agreeing with text.

GCC-EU FTA by the End of the Year?

12. (C) Al-Saleh also told us that he had attended a services round between the GCC and the EU the week of May 29, which he thought had gone well. He said that he hoped that the negotiations were on track for signature in time for the GCC summit in December. The UAE, France, Germany, and the UK were pushing for a rapid conclusion to the negotiations. Al-Saleh opined that, if the negotiations continued to drag on, the UAE would lose interest. He noted that the UAEG and the GCC were pursuing other FTA negotiations and that an FTA with the EU represented an opportunity, but not one that the UAEG would wait on indefinitely.

GCC-China FTA, It's Petrochemicals

¶13. (C) Al-Saleh briefly discussed the upcoming GCC-China FTA talks, adding that he would be leaving on June 18 to participate in the negotiations. He said that the GCC was very interested in FTA talks with China, especially in getting access to the Chinese petrochemical market, where he said, tariffs were high.

Comment

¶14. (SBU) The UAEG is continuing to take steps forward on the FTA. Many of the negotiators are stretched with other FTA commitments, which has slowed progress somewhat, as has the relative inexperience of the negotiators. That said, post believes that the June 27 or 28 video conference between AUSTR Novelli and MinState Finance Khirbush and MinEcon Al-Qasimi will be a useful session. We have seen that it has served as a "forcing event" for the UAEG to take a number of steps. Given that the UAE is moving into the summer season, we would strongly suggest a second video conference be held in early September to "jump start" the work in advance of the September round.

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